

Corporate Credit Rating

New Update

Sector: Energy

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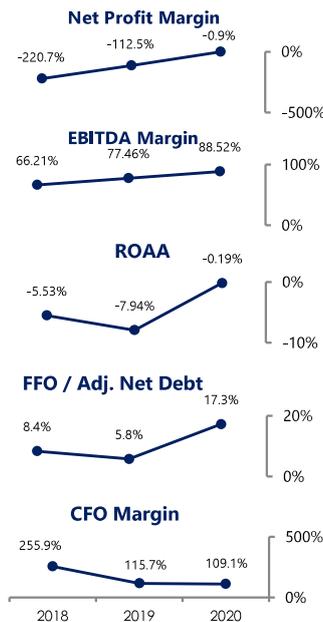
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RATINGS

		Long Term	Short Term
National	Local Rating	BBB (Trk)	A-3 (Trk)
	Outlook	Stable	Stable
	Issue Rating	-	-
International	Foreign Currency	BB	B
	Local Currency	BB	B
	Outlook	FC	Stable
	LC	Stable	Stable
Sponsor Support	Stand-Alone	2	-
	Stand-Alone	BC	-
Sovereign*	Foreign Currency	BB	-
	Local Currency	BB	-
	Outlook	FC	Stable
	LC	Stable	Stable

*Assigned by JCR on May 31, 2021



Maspo Enerji Sanayi ve Ticaret A.Ş.

JCR Eurasia Rating, in its periodic review, has evaluated **Maspo Enerji Sanayi ve Ticaret A.Ş.** at investment-level category on the national scales, and upgraded the ratings on the Long Term National Scale to **'BBB (Trk)'** from **'BBB- (Trk)'** and affirmed the Short Term National Scale as **'A-3 (Trk)'** with **'Stable'** outlooks. The Company's Long Term International Local and Foreign Currency Ratings are assigned as **'BB'**, the same as that of the sovereign ratings of the Republic of Turkey.

Maspo Enerji Sanayi ve Ticaret A.Ş. (hereinafter referred to as "Maspo Enerji" or "the Company") was founded in 2010 to develop, build and operate geothermal power plant (GPP) projects in Turkey. The Company won the tender of the General Directorate of Mineral Research and Exploration (MTA) for the usage rights of the 126.5 km² geothermal field with min. 140MW electricity production capacity in Alaşehir-Manisa and obtained the license valid until April, 2041 for power generation in 2011. The Company started power generation with an installed capacity of 10MW within the renewable energy resources supporting mechanism (YEKDEM) as of June 1, 2017 at a price of USD 0.105/kWh, following a five-year geothermal well drilling, power plant installation and testing period. In September 2019, the Company commissioned 30MW power plant within YEKDEM at a price of USD 0.118/kWh (including USD 0.13/kWh local content support).

Maspo Enerji, with its staff composed of 63 personnel as of FYE2020 (FYE2019: 64), is included in the **Gürmen Group** which is among the Turkey's well-known business groups with investments and operations mainly in the fields of men's ready-made clothing & retail with **'Ramsey'** and **'Kip'** brands, agriculture & livestock, energy and technology. The single shareholder of the Company is **Mr. Remzi GÜR** who is the founder of the Gürmen Group and 51.60% stake holder of the **Gürmen Giyim San. Ve Tic. A.Ş.**, the flagship company of the Group.

Strengths

- High support level of sectoral authority encouraging the use of renewable energy sources together with the investment incentive market dynamics and advantages of GPPs
- Projected steady cash inflow, strong EBITDA generation capacity and natural hedging opportunity derived from USD denominated feed-in-tariff mechanism
- Asset quality strengthened by the low collection risks
- Relieved liquidity management and smooth debt service capability thanks to long-term project financing and high EBITDA creation capacity
- Wide acreage of the geothermal field that is in the region with comparatively high potential for electricity generation
- Knowledge and knowhow in geothermal field obtained by R&D activities since 2011

Constraints

- The volatility in generation due to planned maintenance and other factors that pressures the revenue predictability and liquidity in 2021
- Continuing need to provide project finance, challenging investment environment, and decreasing prices in the scope of new YEKDEM pricing mechanism, all makes it difficult to realize future investment projects
- Deficit balance in equity stemmed from comparatively long R&D and income-free investment period together with recently achieved and improved steady revenue generation capacity and long-term payables due related parties that can be perceived as subordinated loan
- Improvement needs in corporate governance practices

Considering the aforementioned points, the Company's the Long Term National Rating has been upgraded to **'BBB (Trk)'** from **'BBB- (Trk)'**. The Company's strong EBITDA generation capacity, sustainable operational performance, low credit risk, and strong shareholders experience in the sector have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National ratings are determined as **'Stable'**. The Company's financial structure, possible fluctuations in electricity generation amount and profit margins, liquidity, cash flow and possible effects of the Covid-19 outbreak on the Company are closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be monitored as well.

The financial strength and expected support of the Company's shareholders lay the foundation for 'sponsor support assessment' of Maspo Enerji. The Sponsor Support notes and risk assessments in this regard reflect financial and non-financial positions and expected assistance of the utmost shareholders of Maspo Enerji. The shareholders are successfully running business mainly in energy sector. The shareholders are considered to have the willingness and experience to ensure long-term liquidity and equity within their financial capability when required and to provide efficient operational support to Maspo Enerji. In this regard, the Company's Sponsor Support Grade has been assigned as **(2)** in JCR Eurasia Rating's notation.

The Stand-Alone Grade reflects the Company's capacity to meet its obligations and manage the financial and other risks on its balance sheet through its internal means and resources without resorting to its shareholders. The Company passed through a R&D and 1st phase investment period between 2012 and mid-2017 and began to generate operating revenue following the activation of first power plant Ala-1 in June 2017. Ala-2 project which has 30 MW capacity (5 production wells, 4 reinjection wells) was completed on October 2019 and electricity generation has begun. By the completion of Ala-2 power plant, revenue generation capacity of the Company increased significantly. Considering the Company's solid cash flow projection with high cash generation potential, incentives by the government via YEKDEM, equity-debt level, and asset quality, the Stand-Alone Rating has been determined as **(BC)**, in JCR Eurasia Rating's notation system.